

City of South Pasadena Finance Commission
Minutes for Special Meeting of:
May 22, 2018 6:30 p.m.

Location: Burke Triolo Studio
538 Mission Street
South Pasadena, CA 91030

- 1. Roll Call** Commission Chair Catania – Present
 Commission Vice-Chair Adrian – Present
 Commissioner Burke – Present
 Commissioner Corey – Excused
 Commissioner Wood – Present
 City Council Liaison Schneider – Present
 City Treasurer Pia – Excused
 Staff Liaison / Interim Finance Director Ko – Present

2. Public Comment

None.

3. New Business

- a. Receive and File Report and Presentation on Proposed Budget for Fiscal Year 2018-19.

The presentation was given by Karen Aceves, Principle Management Analyst. She started with an overview of the public outreach that was done from April 16 to April 30 that asked about budget and community priorities. The survey indicated that the highest priority was streets and street improvements and citizens wanted more of and did not want to lose any funding. This year the City spent \$3.5 million on streets and street improvements. There was an open meeting held on May 16, and the City is also accepting email comments. The survey also indicated that Public Safety was a priority, and people were most satisfied with the Fire Department, particularly the response time of 4 minutes compared to the national average of 6 minutes, and Los Angeles County at 10 minutes.

Continuing, Principle Management Analyst Aceves stated the draft budget is fiscally conservative and highlights the priorities that are aligned with the results of the survey, and there are no new FTEs and no salary increases planned. There is an increase in local return funds of about \$1 million which will be used for streets and reduce the burden on the General Fund. The next slide shows General Fund revenues of \$27.5 million, and a stable increase, primarily from property taxes. The biggest revenue sources are again, property taxes, followed by UUT, sales tax, user fees which were increased by CPI, and licenses and permits, and other taxes. The General Fund expenditures is \$27.4 million, mostly in personnel costs, slight increase in operations, and very little in capital. Most of the increase was attributable to general wage increases, retirement, and

workman's comp. Generally, there is approximately \$1.5 million surplus revenues over expenses, which has been the trend over the last five years, and will hopefully continue.

Principle Management Analyst Aceves said that future challenges we are facing include the repeal of the Utility Users Tax that is on the ballot and coming up in the November election. If the City lost that funding source, it would result in a reduction of \$3.4 million funding and direct impact to the General Fund personnel, operations, and reduction in services.

The next challenge is the PERS liability. The discount rate has been reduced from 7.5% to 7.0%, which has increased the costs for the City. Also the amortization schedule was reduced from 30 years to 20 years, increasing the contributions the City is required to pay.

Principle Management Analyst Aceves said the next slide represents the 7.3% discount rate and a 30-year amortization schedule. Commissioner Adrian asked if there is staff turnover, at what rate do we compensate new employees? Interim Finance Director Ko responded that the City has established salary schedules that are approved by Council. The retirement benefits would depend upon if the individual is joining the City as a Classic Member, or new to the system, in which case they would fall under PEPR, and a new formula.

Principle Management Analyst Aceves stated that moving on to the five-year cash flow forecast model, FY21-22 may possibly be where the City will see a shortfall. It is difficult to say for sure, but as the numbers are refined, staff will have a better idea and will revisit this when the budget is presented in June. It was discovered that General Accounting practices were not being adhered to, which may have contributed to the difference in cash flow projections that were previously presented.

Principle Management Analyst Aceves presented the next slide which talks about strategic goals that were developed by community and staff using input from the survey. They establish goals for the next three years. They were also established with the results of the survey in mind. Fiscal resiliency was the number one goal, and in the community survey, it was also the highest priority.

Principle Management Analyst Aceves said moving on to budget priorities, street repairs are still number one, followed by fiscal resiliency – long range financial plan, an economic development plan, and upgrades to the City's phone system (\$200,000). Commissioner Wood asked about inclusionary housing. Mayor Schneider clarified that this is tied to new developments, and that any developer bringing forward new housing project must include a percentage of affordable housing. This has not been to Council yet, but will be coming within the next two meetings. The percentage has not been established, but will probably be between 20% to 25%, and is commensurate to other surrounding cities.

Principle Management Analyst Aceves stated looking at the undesignated reserves, is at 25%, which meets the Council's requirements. Designated and undesignated reserves is roughly \$13 million. The next page is the capital improvement plan, money being transferred from the General Fund. Street

repairs is \$1 million, reduced from \$2 million; Emergency Operations Center \$300,000, accounted for last year; and the phone system.

Commission Chair Catania opened for questions, and Commissioner Wood also asked a question about the Management Services Department summary showing the Human Resources budget was removed but the salary numbers were inflated. Staff said this was an oversight with printing and has been corrected on the full draft report that will be going to Council.

The report was received and filed.

4. Continuing Business

Discussion of future meeting dates will be held until all of the Commissioners are present to discuss.

5. Commissioner Comments

Commissioner Wood commented that the Fiscal Sustainability Ad Hoc Committee has not met yet, even though she has received several emails. Staff said that City staff was working on trying to get a date that works for all of the members.

6. Council Liaison Comments

City Treasurer Pia has placed a call to Morgan Stanley to come to the next meeting to review the portfolio.

7. Staff Liaison Comments

None.

8. Next Meeting

June 26, 2018

The meeting was adjourned at 7:42 p.m.